

General Table of Contents

Bank Holding Company Supervision Manual

This general table of contents lists the major section heads for each part of the manual:

- 1000** About this Manual, Supervisory Process
- 2000** Supervisory Policy and Issues
- 3000** Nonbanking Activities
- 4000** Financial Analysis
- 5000** BHC Inspection Program

| <i>Sections</i> | <i>Title</i> |
|-----------------|--|
| 1000 | ABOUT THIS MANUAL, SUPERVISORY PROCESS |
| 1000.0 | About this Manual |
| 1020.0 | Supervision of Savings and Loan Holding Companies |
| 1040.0 | Bank Holding Company Examination and Inspection Authority |
| 1045.0 | Supervision of Holding Companies with Less Than \$10 Billion in Total Consolidated Assets |
| 1050.0 | Consolidated Supervision of Bank Holding Companies and the Combined U.S. Operations of Foreign Banking Organizations |
| 1050.1 | Guidance for the Consolidated Supervision of Domestic Bank Holding Companies That Are Large Complex Banking Organizations |
| 1050.2 | Consolidated Supervision of Regional Holding Companies |
| 1060.0 | Large Financial Institution Rating System |
| 1060.1 | Large Financial Institution Rating System: Capital Planning and Positions |
| 1060.2 | Supervisory Assessment of Capital Planning and Positions for Category I Firms |
| 1060.3 | Supervisory Assessment of Capital Planning and Positions for Category II or III Firms |
| 1060.20 | Liquidity Planning and Positions |
| 1060.30 | Supervisory Guidance on Board of Directors' Effectiveness (Governance and Controls) |
| 1060.31 | Assessment of Risk-Management Processes and Internal Controls of BHCs Having \$100 Billion or More in Total Assets |
| 1062.0 | RFI Rating System |
| 1062.1 | Supervisory Guidance for Assessing Risk Management at Supervised Institutions with Total Consolidated Assets Less than \$100 Billion |
| 1063.0 | Holding Company Ratings Applicability and Inspection Frequency |

| <i>Sections</i> | <i>Title</i> |
|-----------------|--|
| 1065.0 | Nondisclosure of Supervisory Ratings and Confidential Supervisory Information |
| 1070.1 | Communication of Supervisory Findings |
| 1072.0 | Considerations in Assigning and Revising Supervisory Ratings |
| 1075.0 | Formal Corrective Actions |
| 1080.0 | Federal Reserve System Holding Company Surveillance Program |
| 1080.1 | Surveillance Program for Small Holding Companies |
| 2000 | SUPERVISORY POLICY AND ISSUES |
| 2000.0 | Introduction to Topics for Supervisory Review |
| 2010.0 | Supervision of Subsidiaries |
| 2010.1 | Funding Policies |
| 2010.2 | Loan Administration |
| 2010.3 | Investments |
| 2010.4 | Consolidated Planning Process |
| 2010.5 | Environmental Liability |
| 2010.6 | Retail Sales of Nondeposit Investment Products |
| 2010.7 | <i>Reserved</i> |
| 2010.8 | Sharing of Facilities and Staff by Banking Organizations |
| 2010.9 | Required Absences from Sensitive Positions |
| 2010.10 | Internal Loan Review |
| 2010.12 | Fees Involving Investments of Fiduciary Assets in Mutual Funds and Potential Conflicts of Interest |
| 2010.13 | Establishing Accounts for Foreign Governments Embassies, and Political Figures |
| 2020.0 | Intercompany Transactions |
| 2020.1 | Transactions Between Member Banks and Their Affiliates—Sections 23A and 23B of the Federal Reserve Act |
| 2020.2 | Loan Participations |

General Table of Contents

| <i>Sections</i> | <i>Title</i> |
|-----------------|--|
| 2020.3 | Sale and Transfer of Assets |
| 2020.4 | Compensating Balances |
| 2020.5 | Dividends |
| 2020.6 | Management and Service Fees |
| 2020.7 | Transfer of Low-Quality Assets |
| 2020.8 | <i>Reserved</i> |
| 2020.9 | Split-Dollar Life Insurance |
| 2030.0 | Grandfather Rights—Retention and Expansion of Nonbank Activities |
| 2040.0 | Commitments to the Federal Reserve |
| 2050.0 | Extensions of Credit to BHC Officials |
| 2060.0 | Management Information Systems (General) |
| 2060.05 | Policy Statement on the Internal Audit Function and Its Outsourcing |
| 2060.07 | Supplemental Policy Statement on the Internal Audit Function and Its Outsourcing |
| 2060.1 | Audit |
| 2060.2 | Budget |
| 2060.3 | Records and Statements |
| 2060.4 | Structure and Reporting |
| 2060.5 | Insurance |
| 2065.1 | Nonaccrual Loans and Loan Modifications to Borrowers Experiencing Financial Difficulty |
| 2065.2 | Maintaining and Documenting the Allowance for Loan and Lease Losses |
| 2065.3 | Allowance for Credit Losses |
| 2068.0 | Sound Incentive Compensation Policies |
| 2070.0 | Taxes—Consolidated Tax Filing |
| 2080.0 | Funding—Introduction |
| 2080.05 | Bank Holding Company Funding and Liquidity |

General Table of Contents

| <i>Sections</i> | <i>Title</i> |
|---------------------|---|
| 2080.1 | Commercial Paper and Other Short-term Uninsured Debt Obligations and Securities |
| 2080.2 | Long-Term Debt |
| 2080.3 | Equity |
| 2080.4 | Retention of Earnings |
| 2080.5 | Pension Funding and Employee Stock Option Plans |
| 2080.6 | Holding Company Funding from Sweep Accounts |
| 2090.0 | Control and Ownership—General |
| 2090.05 | Qualified Family Partnerships |
| 2090.1 | Change in Control |
| 2090.2 | BHC Formations |
| 2090.3 | Treasury Stock Redemptions |
| 2090.4 | Policy Statements on Equity Investments in Banks and Bank Holding Companies |
| 2090.5 | Acquisitions of Bank Shares Through Fiduciary Accounts |
| 2090.6 | Control Determinants |
| 2090.7 | Nonbank Banks |
| 2090.8 | Liability of Commonly Controlled Depository Institutions |
| 2091.0— 2092.0 | <i>Reserved</i> |
| 2093.0 | Control and Ownership—Shareholder Protection Arrangements |
| 2100.0 | International Banking Activities |
| 2120.0 | Foreign Corrupt Practices Act and Federal Election Campaign Act |
| 2122.0 | Internal Credit-Risk Ratings at Large Firms |
| 2124.0 | Risk-Focused Safety-and-Soundness Inspections |
| 2124.01— 2124.04 | <i>Reserved</i> |
| 2124.05 | Consolidated Supervision Framework for Large Financial Institutions |
| 2124.07 | Compliance Risk-Management Programs and Oversight at Large Firms |

General Table of Contents

| <i>Sections</i> | <i>Title</i> |
|-----------------|---|
| 2124.1 | Assessment of Information Technology in Risk-Focused Supervision |
| 2124.2 | <i>Reserved</i> |
| 2124.3 | Risk Management of Third-Party Relationships |
| 2124.4 | Information Security Standards |
| 2124.5 | Identity Theft Red Flags and Address Discrepancies |
| 2126.0 | Model Risk Management |
| 2126.1 | Investment Securities and End-User Derivatives Activities |
| 2126.2 | Investing in Securities without Reliance on Ratings of Nationally Recognized Statistical Rating Organizations |
| 2126.3 | Counterparty Credit Risk Management Systems |
| 2126.5 | Volcker Rule (Section 13 of the Bank Holding Company Act) |
| 2127.0 | Interest-Rate Risk—Risk Management and Internal Controls |
| 2128.0 | Structured Notes—Risk Management and Internal Controls |
| 2128.01 | <i>Reserved</i> |
| 2128.02 | Asset Securitization |
| 2128.03 | Credit-Supported and Asset-Backed Commercial Paper |
| 2128.04 | Implicit Recourse Provided to Asset Securitizations |
| 2128.05 | Securitization Covenants Linked to Supervisory Actions or Thresholds |
| 2128.06 | Valuation of Retained Interests and Risk Management of Securitization Activities |
| 2128.07 | <i>Reserved</i> |
| 2128.08 | Subprime Lending |
| 2128.09 | Elevated-Risk Complex Structured Finance Activities |
| 2129.0 | Credit Derivatives—Risk Management and Internal Controls |
| 2129.05 | Risk and Capital Management—Secondary-Market Credit Activities |
| 2130.0 | Futures, Forward, and Option Contracts |
| 2140.0 | Securities Lending |
| 2150.0 | Repurchase Transactions |

| <i>Sections</i> | <i>Title</i> |
|-----------------|---|
| 2160.0 | Recognition and Control of Exposure to Risk |
| 2175.0 | Sale of Uninsured Annuities |
| 2178.0 | Support of Bank-Affiliated Investment Funds |
| 2180.0 | Securities Activities in Overseas Markets |
| 2187.0 | Violations of Federal Reserve Margin Regulations Resulting from “Free-Riding” Schemes |
| 2220.3 | Note Issuance and Revolving Underwriting Credit Facilities |
| 2231.0 | Real Estate Appraisals and Evaluations |
| 2240.0 | Guidelines for the Review and Classification of Troubled Real Estate Loans |
| 2241.0 | Retail-Credit Classification |
| 2250.0 | Domestic and Other Reports to Be Submitted to the Federal Reserve |
| 2260.0 | Venture Capital |
| 3000 | NONBANKING ACTIVITIES |
| 3000.0 | Introduction to BHC Nonbanking and FHC Activities |
| 3001.0 | Section 2(c) of the BHC Act—Savings Bank Subsidiaries of BHCs Engaging in Nonbanking Activities |
| 3005.0 | Section 2(c)(2)(F) of the BHC Act—Credit Card Bank Exemption from the Definition of a Bank |
| 3010.0 | Section 4(c)(i) and (ii) of the BHC Act—Exemptions from Prohibitions on Acquiring Nonbank Interests |
| 3020.0 | Section 4(c)(1) of the BHC Act—Investment in Companies Whose Activities Are Incidental to Banking |
| 3030.0 | Section 4(c)(2) and (3) of the BHC Act—Acquisition of DPC Shares, Assets, or Real Estate |
| 3032.0 | Rental of Other Real Estate Owned Residential Property |
| 3040.0 | Section 4(c)(4) of the BHC Act—Interests in Nonbanking Organizations |
| 3050.0 | Section 4(c)(5) of the BHC Act—Investments Under Section 5136 of the Revised Statutes |
| 3060.0 | Section 4(c)(6) and (7) of the BHC Act—Ownership of Shares in Any Nonbank Company of 5 Percent or Less |
| 3070.0 | Section 4(c)(8) of the BHC Act—Mortgage Banking |

General Table of Contents

| <i>Sections</i> | <i>Title</i> |
|-----------------|---|
| 3070.3 | Nontraditional Mortgages—Associated Risks |
| 3071.0 | Section 4(c)(8) of the BHC Act—Mortgage Banking— Derivative Commitments to Originate and Sell Mortgage Loans |
| 3072.0 | Section 4(c)(8) of the BHC Act—Activities Related to Extending Credit |
| 3072.8 | Real Estate Settlement Services |
| 3073.0 | Section 4(c)(8) of the BHC Act—Education-Financing Activities |
| 3080.0 | Section 4(c)(8) of the BHC Act—Servicing Loans |
| 3084.0 | Section 4(c)(8) of the BHC Act—Asset-Management, Asset-Servicing, and Collection Activities |
| 3090.0 | Section 4(c)(8) of the BHC Act—Receivables |
| 3090.1 | Factoring |
| 3090.2 | Accounts Receivable Financing |
| 3100.0 | Section 4(c)(8) of the BHC Act—Consumer Finance |
| 3104.0 | Section 4(c)(8) of the BHC Act—Acquiring Debt in Default |
| 3105.0 | Section 4(c)(8) of the BHC Act—Credit Card Authorization and Lost/Stolen Credit Card Reporting Services |
| 3107.0 | Section 4(c)(8) of the BHC Act—Stand-Alone Inventory Inspection Services |
| 3110.0 | Section 4(c)(8) of the BHC Act—Industrial Banking |
| 3111.0 | Section 4(c)(8) of the BHC Act—Acquisition of Savings Associations |
| 3120.0 | Section 4(c)(8) of the BHC Act—Trust Services |
| 3130.0 | Section 4(c)(8) of the BHC Act—General Financial and Investment Advisory Activities |
| 3130.1 | Investment or Financial Advisers |
| 3130.2 | <i>Reserved</i> |
| 3130.3 | Advice on Mergers and Similar Corporate Structurings, Capital Structurings, and Financing Transactions |
| 3130.4 | Informational, Statistical Forecasting, and Advisory Services for Transactions in Foreign Exchange and Swaps, Commodities, and Derivative Instruments |
| 3130.5 | Providing Educational Courses and Instructional Materials for Consumers on Individual Financial Management Matters |
| 3130.6 | Tax-Planning and Tax-Preparation Services |

General Table of Contents

| <i>Sections</i> | <i>Title</i> |
|-----------------|--|
| 3140.0 | Section 4(c)(8) of the BHC Act—Leasing Personal or Real Property |
| 3150.0 | Section 4(c)(8) of the BHC Act—Community Welfare Projects |
| 3160.0 | Section 4(c)(8) of the BHC Act—EDP Servicing Company |
| 3160.1 | EDP Servicing—Network for the Processing and Transmission of Medical Payment Data |
| 3160.2 | Electronic Benefit Transfer, Stored-Value-Card, and Electronic Data Interchange Services |
| 3160.3 | Data Processing Activities: Obtaining Traveler's Checks and Postage Stamps Using an ATM Card and Terminal |
| 3160.4 | Providing Data Processing for ATM Distribution of Tickets, Gift Certificates, Telephone Cards, and Other Documents |
| 3160.5 | Engage in Transmitting Money |
| 3165.1 | Support Services—Printing and Selling MICR-Encoded Items |
| 3170.0 | Section 4(c)(8) of the BHC Act—Insurance Agency Activities of Bank Holding Companies |
| 3180.0 | Section 4(c)(8) of the BHC Act—Insurance Underwriters |
| 3190.0 | Section 4(c)(8) of the BHC Act—Courier Services |
| 3200.0 | Section 4(c)(8) of the BHC Act—Management Consulting and Counseling |
| 3202.0 | Section 4(c)(8) of the BHC Act—Employee Benefits Consulting Services |
| 3204.0 | Section 4(c)(8) of the BHC Act—Career Counseling |
| 3210.0 | Section 4(c)(8) of the BHC Act—Money Orders, Savings Bonds, and Traveler's Checks |
| 3210.1 | Payment Instruments |
| 3220.0 | Section 4(c)(8) of the BHC Act—Arranging Commercial Real Estate Equity Financing |
| 3230.0 | Section 4(c)(8) of the BHC Act—Agency Transaction Services for Customer Investments (Securities Brokerage) |
| 3230.05 | Securities Brokerage (Board Decisions) |
| 3230.1 | Securities Brokerage in Combination with Investment Advisory Services |
| 3230.2 | Securities Brokerage with Discretionary Investment Management and Investment Advisory Services |

General Table of Contents

| <i>Sections</i> | <i>Title</i> |
|-----------------|---|
| 3230.3 | Offering Full Brokerage Services for Bank-Ineligible Securities |
| 3230.4 | Private-Placement and Riskless-Principal Activities |
| 3230.5 | Acting as a Municipal Securities Brokers' Broker |
| 3230.6 | Acting as a Conduit in Securities Borrowing and Lending |
| 3240.0 | Section 4(c)(8) of the BHC Act—Underwriting and Dealing in U.S. Obligations, Municipal Securities, and Money Market Instruments |
| 3250.0 | Section 4(c)(8) of the BHC Act—Agency Transactional Services (Futures Commission Merchants and Futures Brokerage) |
| 3251.0 | 4(c)(8) Agency Transactional Services—FCM Board Orders |
| 3255.0 | Section 4(c)(8) of the BHC Act—Agency Transactional Services for Customer Investments |
| 3260.0 | Section 4(c)(8) of the BHC Act—Investment Transactions as Principal |
| 3270.0 | Section 4(c)(8) of the BHC Act—Real Estate and Personal Property Appraising |
| 3320.0 | Section 4(c)(8) of the BHC Act—Check-Guaranty and Check-Verification Services |
| 3330.0 | Section 4(c)(8) of the BHC Act—Operating a Collection Agency |
| 3340.0 | Section 4(c)(8) of the BHC Act—Operating a Credit Bureau |
| 3500.0 | Prohibitions Against Tying Arrangements |
| 3510.0 | Sections 4(c)(9) and 2(h) of the BHC Act—Nonbanking Activities of Foreign Banking Organizations |
| 3520.0 | Section 4(c)(10) of the BHC Act—Exemption from Section 4 for BHCs That Are Banks |
| 3530.0 | Section 4(c)(11) of the BHC Act—Authorization for BHCs to Reorganize Share Ownership Held on the Basis of Any Section 4 Exemption |
| 3540.0 | Section 4(c)(12) of the BHC Act—Ten-Year Exemption from Section 4 of the BHC Act |
| 3550.0 | Section 4(c)(13) of the BHC Act—International Activities of Bank Holding Companies |
| 3560.0 | Section 4(c)(14) of the BHC Act—Export Trading Companies |
| 3600.0 | Permissible Activities by Board Order |
| 3600.1 | Operating a “Pool Reserve Plan” |

General Table of Contents

| <i>Sections</i> | <i>Title</i> |
|-----------------|---|
| 3600.2– | <i>Reserved</i> |
| 3600.4 | |
| 3600.5 | Engaging in Banking Activities via Foreign Branches |
| 3600.6 | Operating a Securities Exchange |
| 3600.7 | Acting as a Certification Authority for Digital Signatures |
| 3600.8 | Private Limited Investment Partnerships |
| 3600.9– | <i>Reserved</i> |
| 3600.12 | |
| 3600.13 | FCM Activities |
| 3600.14– | <i>Reserved</i> |
| 3600.16 | |
| 3600.17 | Insurance Activities |
| 3600.18– | <i>Reserved</i> |
| 3600.20 | |
| 3600.21 | Underwriting and Dealing |
| 3600.22 | <i>Reserved</i> |
| 3600.23 | Issuance and Sale of Mortgage-Backed Securities Guaranteed by GNMA |
| 3600.24 | Sales-Tax Refund Agent and Cashing U.S. Dollar Payroll Checks |
| 3600.25 | Providing Government Services |
| 3600.26 | Real Estate Settlement through a Permissible Title Insurance Agency |
| 3600.27 | Providing Administrative and Certain Other Services to Mutual Funds |
| 3600.28 | Developing Broader Marketing Plans and Advertising and Sales Literature for Mutual Funds |
| 3600.29 | Providing Employment Histories to Third Parties |
| 3600.30 | Real Estate Title Abstracting |
| 3610.1 | Section 4(c)(8) of the BHC Act—Board Staff Legal Interpretation—Financing Customers’ Commodity Purchase and Forward Sales |
| 3610.2 | Section 4(c)(8) of the BHC Act—Board Legal Staff Interpretation—Certain Volumetric-Production-Payment Transactions Involving Physical Commodities |
| 3700.0 | Impermissible Activities |
| 3700.1 | Land Investment and Development |

General Table of Contents

| <i>Sections</i> | <i>Title</i> |
|-----------------|---|
| 3700.2 | Insurance Activities |
| 3700.3 | Real Estate Brokerage and Syndication |
| 3700.4 | General Management Consulting |
| 3700.5 | Property Management |
| 3700.6 | Travel Agencies |
| 3700.7 | Providing Credit Ratings on Bonds, Preferred Stock, and Commercial Paper |
| 3700.8 | Acting as a Specialist in Foreign-Currency Options on a Securities Exchange |
| 3700.9 | Design and Assembly of Hardware for Processing or Transmission of Banking and Economic Data |
| 3700.10 | Armored Car Services |
| 3700.11 | Computer Output Microfilm Service |
| 3700.12 | Clearing Securities Options and Other Financial Instruments for the Accounts of Professional Floor Traders |
| 3900.0 | Section 4(k) of the BHC Act—Financial Holding Companies |
| 3901.0 | U.S. Bank Holding Companies Operating as Financial Holding Companies |
| 3903.0 | Foreign Banks Operating as Financial Holding Companies |
| 3905.0 | Permissible Activities for FHCs |
| 3906.0 | Disease Management and Mail-Order Pharmacy Activities |
| 3907.0 | Merchant Banking |
| 3909.0 | Supervisory Guidance on Equity Investment and Merchant Banking Activities (Section 4(k) of the BHC Act) |
| 3910.0 | Acting as a Finder |
| 3912.0 | To Acquire, Manage, and Operate Defined Benefit Pension Plans in the United Kingdom (Section 4(k) of the BHC Act) |
| 3920.0 | Limited Physical-Commodity-Trading Activities |
| 3950.0 | Insurance Sales Activities and Consumer Protection in Sales of Insurance |
| 3980.0 | Establishment of an Intermediate Holding Company |

| <i>Sections</i> | <i>Title</i> |
|-------------------|--|
| 4000 | FINANCIAL ANALYSIS |
| 4000.0 | Financial Factors—Introduction |
| 4010.0 | Parent Only: Debt-Servicing Capacity—Cash Flow |
| 4010.1 | Leverage |
| 4010.2 | Liquidity |
| 4020.0 | Banks |
| 4020.1 | Banks: Capital |
| 4020.2 | Banks: Asset Quality |
| 4020.3 | Banks: Earnings |
| 4020.4 | Banks: Liquidity |
| 4020.5 | Banks: Summary Analysis |
| 4020.6— 4020.8 | <i>Reserved</i> |
| 4020.9 | Supervision Standards for De Novo State Member Banks of Bank Holding Companies |
| 4030.0 | Nonbanks |
| 4030.1 | Nonbanks: Credit Extending—Classifications |
| 4030.2 | Nonbanks: Credit Extending—Earnings |
| 4030.3 | Nonbanks: Credit Extending—Leverage |
| 4030.4 | Nonbanks: Credit Extending—Reserves |
| 4040.0 | Nonbanks: Noncredit Extending |
| 4050.0 | Nonbanks: Noncredit Extending—Service Charters |
| 4060.0 | Consolidated—Earnings |
| 4060.1 | Consolidated: Asset Quality |
| 4060.2— 4060.7 | <i>Reserved</i> |
| 4060.8 | Overview of Asset-Backed Commercial Paper Programs |
| 4060.9 | Consolidated Capital Planning Processes—Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies |

General Table of Contents

| <i>Sections</i> | <i>Title</i> |
|-----------------|--|
| 4061.0— | <i>Reserved</i> |
| 4065.0 | |
| 4066.0 | Consolidated—Funding and Liquidity Risk Management |
| 4067.0— | <i>Reserved</i> |
| 4089.0 | |
| 4090.0 | Country Risk |
| 5000 | BHC INSPECTION PROGRAM |
| 5000.0 | BHC Inspection Program—General |
| 5040.0 | Procedures for “Limited-Scope” Inspection Report Preparation— General Instructions |
| 5050.0 | Procedures for “Targeted” Inspection Report Preparation— General Instructions |
| 5052.0 | Targeted MIS Inspection |
| 5060.0 | Portions of Bank Holding Company Inspections Conducted in Federal Reserve Bank Office |